



*Operating Budget*



## *Operating Budget Summary*

## 2008-2009 OPERATING BUDGET OVERVIEW

The Operating Budget for Fiscal Year 2008-09 totals \$195.2 million, with revenues for the year estimated at \$199.1 million. General Fund revenues are estimated at \$120.7 million and budgeted expenditures are \$118.3 million.

### REVENUE

The following table shows the total operating revenues the City anticipates receiving for FY 2007-08, as well as those estimated for FY 2008-09.

REVENUE SUMMARY BY FUND TYPE (in Millions)				
FUND	PROJECTED 2007-08	ESTIMATED 2008-09	\$ CHANGE	% CHANGE
GENERAL FUND	\$ 120.2	\$ 120.7	\$ 0.5	0.4%
SPECIAL REVENUE	12.3	11.2	(1.1)	(8.9%)
ENTERPRISE	40.4	47.7	7.3	18.1%
INTERNAL SERVICE	15.9	15.7	(0.2)	(1.3%)
REDEVELOPMENT	3.8	3.9	0.1	2.6%
TOTAL	\$ 192.6	\$ 199.2	\$ 6.6	3.4%

Revenue estimates for the Operating Budget indicate that the City will receive a total of \$199.2 million, a 3.4% increase over the prior year. The majority of the increase of \$6.6 million is in the Enterprise Funds due to the proposed water and wastewater rate increases. More information on the City's revenue sources can be found in the discussion that follows.

### General Fund

General Fund revenues provide a representative picture of the local economy. These revenues are of particular interest as they fund basic City services such as police, fire, library, street and park maintenance, and recreation programs. The table below shows a summarized outlook for the major General Fund revenues.

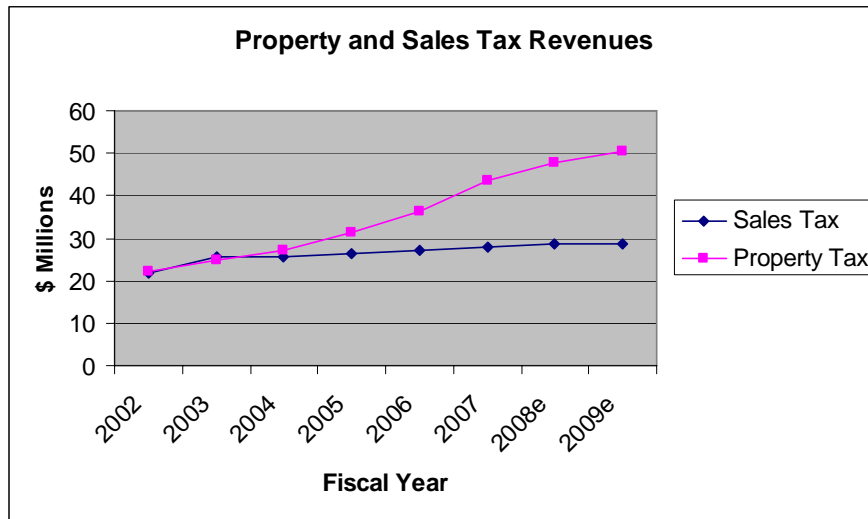
SIGNIFICANT GENERAL FUND REVENUES (in Millions)				
FUND	PROJECTED 2007-08	ESTIMATED 2008-09	\$ CHANGE	% CHANGE
PROPERTY TAX	\$ 47.8	\$ 50.3	\$ 2.5	5.2%
SALES TAX	28.5	28.5	0.0	0.0%
TRANSIENT OCC. TAX	13.6	14.8	1.2	8.8%
FRANCHISE TAXES	4.9	5.0	0.1	2.0%
BUSINESS LICENSE TAX	3.1	3.1	0.0	0.0%
DEVELOPMENT REVENUES	3.9	2.9	(1.0)	(25.6%)
ALL OTHER REVENUE	18.4	16.1	(2.3)	(12.5%)
TOTAL	\$ 120.2	\$ 120.7	\$ 0.5	0.4%

The economic uncertainty discussed in the Budget Overview section is causing the General Fund revenues to remain relatively flat for FY 2008-09. Several of the largest revenue sources in the General Fund are impacted by the fluctuations in the economy. In addition, the housing crisis is not only impacting Property Taxes, it is also affecting Sales Taxes and development related revenues. This upcoming fiscal year it is expected that **property taxes** will grow to over

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\$50 million, a 5.2% increase over the projection for FY 2007-08. This includes a 5% estimated increase in assessed valuation as provided by the County Assessor in May 2008, as well as a conservative assumption for new development.

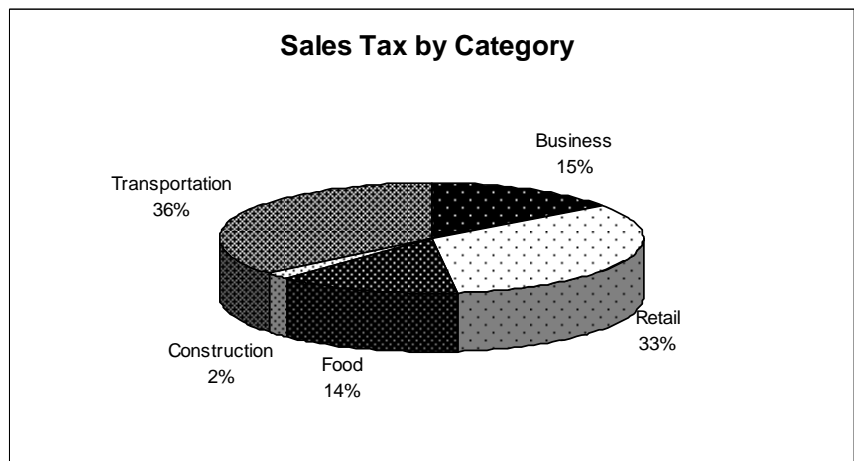
Property taxes tend to lag behind the rest of the economy, as the tax for the upcoming fiscal year is based on assessed values from the previous January. Thus, the taxes to be received for Fiscal Year 2008-09 are based on values as of January 1, 2008. Sales taxes react much quicker to changes in the economy and therefore will typically grow faster in a good economy, but also drop off faster as the economy cools.



Property taxes also have a cap on how fast they can grow. This is due to Proposition 13. Proposition 13 was adopted by the State in 1978. This proposition limits the growth in assessed values (and thus property taxes) to no more than 2% per year. The value upon which the tax is based is only increased to the full market value upon the sale of the property. Thus, property taxes tend

to grow slowly unless there is a significant amount of housing activity. In previous years, we have seen a robust growth in property taxes due to new developments, a large number of resales within the City spurring revaluation of the parcels, and double-digit growth in housing prices. As the economy slows, housing prices decline, and the City approaches build-out, the growth in property taxes is expected to moderate.

**Sales taxes** are expected to total \$28.5 million for FY 2008-09, the same as FY 2007-08 projections. These projections assume that the slow economy, high gasoline and diesel prices, as well as high food costs, will result in no growth in sales tax. The City of Carlsbad has many car dealerships which generate approximately \$6.0 million of sales tax each year. Car



sales have slowed during FY 2007-08 and are expected to remain slow during FY 2008-09. In addition, retail comprises over 33% of the sales tax generated in Carlsbad and with a slow economy and lower consumer confidence, it is anticipated there will be less discretionary purchases.

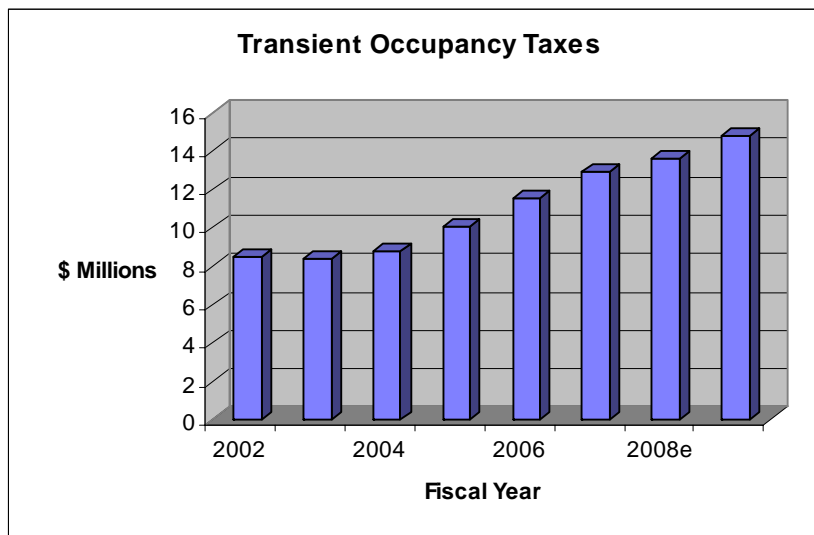
Several years ago, the State of California implemented the "Triple Flip." The "Triple Flip" is essentially a temporary swap of a ¼ cent of the cities' sales taxes in return for property tax. It was done in order to give the state a revenue source against which they could issue deficit

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reduction bonds. The City's sales tax estimates continue to show this amount as sales tax since the amount is reflective of what the City would receive.

As can be seen in the chart on the previous page, the City's sales tax base is heavily weighted in the transportation (predominantly new car sales) and retail sectors. These two sectors make up approximately 69% of the City's sales tax base and are negatively impacted by a slow economy.

Sales tax estimates also include approximately \$900,000 that is restricted to spending on public safety services under Proposition 172. Proposition 172 requires that the one-half cent increase in California sales taxes be allocated to local agencies, to fund public safety services.



The third highest General Fund revenue source is **Transient Occupancy Taxes** (TOT or hotel taxes) estimated at \$14.8 million for FY 2008-09, an increase of 8.8% over FY 2007-08 estimates. Three hotels were opened during FY 2007-08 including the Sheraton Carlsbad Resort and Spa, Homewood Suites and Hampton Inn. These additional hotel rooms are expected to contribute to the growth in TOT revenues. It is unclear whether the economic

slowdown will negatively impact the TOT revenues. In previous recessions, visitors continued to visit Carlsbad but they traveled by cars rather than planes. Given the US dollar's weakness compared to other international currencies, the United States is a relatively inexpensive place to visit. The City may see less local travel due to higher gas prices and the slow economy, and may see more international travelers due to the relatively weak U.S. dollar.

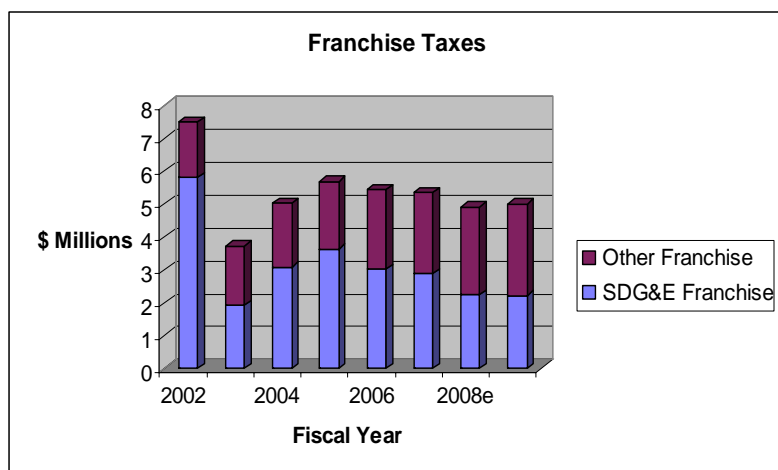
It is expected that Fiscal Year 2007-08 will end the year with about \$13.6 million in TOT receipts, a 5% increase from FY 2006-07. Growth is expected to be moderate going into FY 2008-09, with 1.0% assumed for the base growth. In addition to the base growth, three hotels, the Sheraton Carlsbad Resort and Spa, Hampton Inn and Homewood Suites, opened during FY 2007-08 and the City will receive a full year of their taxes in FY 2008-09. The combination of the base growth and the three new hotels results in an estimated 8.8% growth over FY 2007-08 projections.

One of the more volatile General Fund revenues is the **Franchise tax**. Franchise taxes are paid by certain industries that use the City right-of-way to conduct their business. The City currently has franchise agreements for cable TV service, solid waste services, cell sites, and gas and electric services. The cable and solid waste franchises have been growing along with the growth in population and changes in their rate structures. These franchise revenues are projected to remain relatively flat in FY 2008-09. The large fluctuations in franchise taxes has come from the taxes on gas and electric services, which are paid by San Diego Gas and Electric (SDG&E).

SDG&E pays franchise taxes for the use of the public land over which they transport gas and electricity. The City also receives an "in-lieu" franchise tax based on the value of gas and

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electricity transported on SDG&E lines, but purchased from another source. The “in-lieu” tax captures the franchise taxes on gas and electricity that is transported using public lands but which would not otherwise be included in the calculations for franchise taxes, due to deregulation of the power industry. The majority of the “in-lieu” taxes received is attributable to Cabrillo Power, the operator of the Encina power plant, based on the gas used in the generation of electricity.



The FY 2008-09 forecast essentially predicts the same amount of SDG&E franchise revenue as the previous year.

**Development-related revenues** include planning, engineering and building permits, and fees paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. These revenues are difficult to predict, as many of the planning and engineering activities occur months or years before any structures are actually built.

Development-related revenues have been declining during Fiscal Year 2007-08 due to the slow down in the economy especially the softening in the real estate market. For the FY 2008-09 budget, the development-related revenues are anticipated to continue to decline as a result of the economy and real estate market. For FY 2006-07 there were 472 units permitted for residential housing. For FY 2007-08 approximately 339 residential units have been permitted. For FY 2008-09, 193 permits are projected to be issued for residential housing. The commercial and industrial building activity remained strong for FY 2006-07 however, it too has slowed in FY 2007-08 and is expected to continue slowing in FY 2008-09. A 25% decline in building related revenue is projected for next year, this is in addition to a 13% decline from FY 2006-07 to FY 2007-08.

**Business license taxes** are closely tied to the health of the economy and are projected to remain relatively flat at an estimated \$3.1 million. There are currently about 8,500 licensed businesses in Carlsbad, with over 2,500 of them home-based.

**All other revenues** include vehicle license fees, transfer taxes, interest earnings, ambulance fees, recreation fees, and other charges and fees. The estimate for Fiscal Year 2008-09 totals \$16.1 million, a \$2.3 million decrease from Fiscal Year 2007-08, due mainly to a one-time reimbursement (\$1.0 million) received from the Federal Highway Administration in FY 2007-08 for the 2005 winter storm damage in the City, as well as a reduction in several other intergovernmental charges due to the economic slowdown.

Transfer taxes are those taxes paid to the county upon the transfer of interests in real estate. The tax is 55 cents per \$500 of property value, and is split equally between the county and the City. Carlsbad expects to receive approximately \$800,000 in transfer taxes for FY 2007-08, and about the same in FY 2008-09. Income from investments and property includes interest earnings, as well as rental income from City-owned land and facilities. The City is expected to earn about \$3.0 million in interest on its General Fund investments for Fiscal Year 2008-09.

Overall, General Fund revenues are expected to be relatively flat with little or no growth. This lack of growth is due to the economic uncertainty as well as the soft housing market. Although

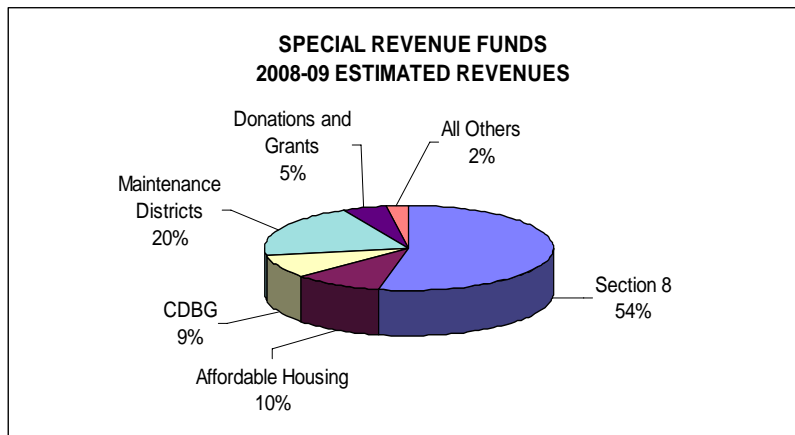
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the City experienced revenue growth between 9% and 17% in the late 1990's, it was not sustainable growth. Much of those increases were due to the opening of new hotels, restaurants, retail centers, and new home development. As the City matures, it will be increasingly more difficult to produce double-digit growth in revenues. With the current economic slow down, limited revenue growth is anticipated over the next two to three years with the City returning to 4% to 6% growth rates for revenue in the future.

### **Other Funds**

Revenues from **Special Revenue** funds are expected to total \$11.2 million in FY 2008-09, a \$1.1 million decrease from FY 2007-08. The types of programs supported within Special Revenue funds are those funded by specific revenue streams such as:

- Grants (Section 8 Rental Assistance, Community Development Block Grants, COPS Grant)
- Special fees and assessments (Affordable Housing, Maintenance Assessment Districts)
- Donations (Library, Cultural Arts, Recreation and Senior Donations)



The most noteworthy change in the Special Revenue funds occurred in the Affordable Housing Trust Fund. Estimated revenues decreased \$1.0 million from FY 2007-08. The Housing Trust Fund was set up to provide funding for the City's affordable housing programs. Revenues come from inclusionary housing fees, interest on cash balances, and payments on affordable

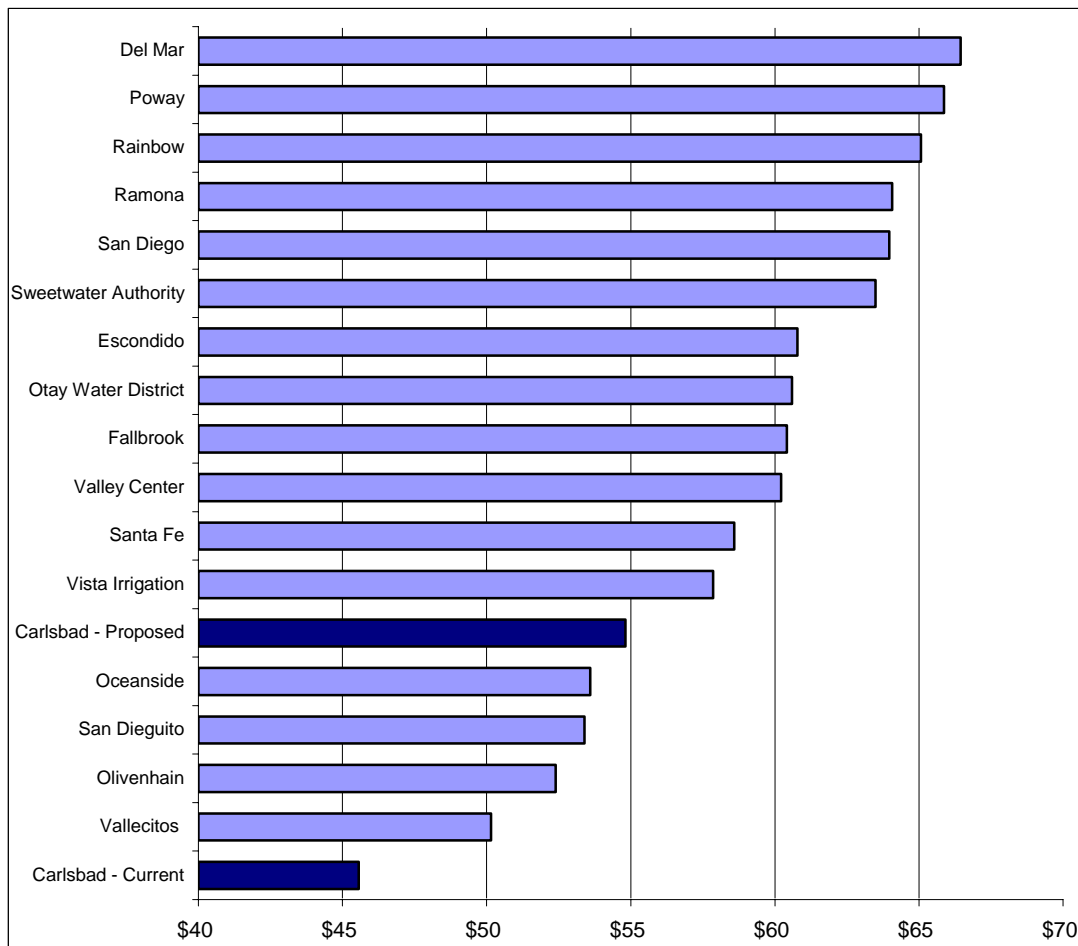
housing loans. Most affordable housing loans to developers are set up so that payments are only due when funds are available from the project and loans to individual homeowners are usually not due until the home is sold; therefore, repayments are difficult to predict. For FY 2007-08, the City expects to receive about \$640,000 in repayments. For FY 2008-09, only \$75,000 has been estimated for loan repayments, as this revenue source is uncertain and so far only \$75,000 is scheduled for repayment in FY 2008-09. The rest of the fund's revenue decrease is due to a state grant in the amount of \$400,000 received in FY 2007-08 for the Hunter's Pointe apartment project. There are no grants budgeted for FY 2008-09.

**Enterprise** fund revenues for FY 2008-09 are projected at \$47.7 million, an increase of \$7.3 million over current year projections. The increase in revenues is due to the proposed rate increases for Water and Wastewater funds. Enterprise funds are similar to a business, in that rates are charged to support the operations that supply the service. Carlsbad Enterprise funds include the water, recycled water, wastewater services, and solid waste management.

The Water Enterprise Fund shows a significant increase in revenues of 21% over the previous year. A 20% increase in water rates is recommended in order to pay for rising water costs, passed through from the San Diego County Water Authority and Metropolitan Water District. In addition to purchased water costs, the City's cost to maintain its aging infrastructure has risen. It is estimated that the average increase to a household will be approximately \$9.26 per month (fixed + variable). Even with these increases, Carlsbad's water rates are still among the lowest in the region as reflected in the chart below.

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### Monthly Water Bill Comparison with Other Agencies



A rate increase is also being recommended in the Wastewater Enterprise fund of 9%. This will raise the base residential rate from \$16.20 to \$17.65 per month. Even with the proposed rate increase, Carlsbad's sewer rates are also still among the lowest in the region.

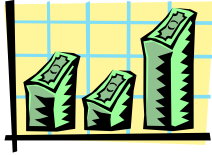
**Internal Service** funds show estimated revenues of \$15.7 million for FY 2008-09, a decrease of 1.3% or \$200,000 from FY 2007-08 projections. Internal Service funds provide services within the City itself, and include programs such as the self-insurance funds for Workers' Compensation and Liability, as well as Information Technology and Vehicle Maintenance and Replacement. Departments pay for services provided by these funds; therefore, the rates charged for the services are based on the cost to provide the service. The goal of the Internal Service funds is to match their budgeted expenses with charges to the departments, after allowing for a certain level of reserves within the fund.

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**Redevelopment** revenues are expected to total \$3.9 million in the upcoming year, an increase of 2.6% or \$105,000 over the projections from the previous year. This increase is the result of a slight increase in property tax increment revenues collected for the Village and South Carlsbad Coastal project areas.

### EXPENDITURES



The City's Operating budget for FY 2008-09 totals \$195.2 million, which represents an increase of \$8.0 million, or 4.3%, over the adopted FY 2007-08 budget. The changes in each of the City's programs will be discussed below.

#### **Budgetary Policies**

The theme behind this year's budget development was to create a long-term plan for a balanced budget given the slowdown in the economy and the economic uncertainty. Departments were asked to have slow, managed and prudent budget growth to match the slowing economy. Departments were also encouraged to identify and propose budget efficiencies where possible. While the forecast shows expectations for a balanced budget in the future, the City also has a large capital program underway which will add additional pressure to the budget as the facilities are opened and need operation and maintenance. With the downturn in the economy, it is important to keep an eye focused on the future to ensure the City remains in good financial health. To achieve that end, the following policies were set:

- Maintain current service levels.
- No growth in maintenance and operations for FY 2008-09 unless for a new facility.
- No new programs will be considered unless required under a legal mandate.
- Identify new revenue generation opportunities.
- Carefully review open positions prior to filling.
- New positions will be limited to only those necessary to operate and maintain new facilities.
- Budget requests for one-time funding to implement specific goals will be considered.
- Generally, be prudent in budgeting. Consider cost containment measures and budget discretionary items at minimum levels.

The City uses an "Expenditure Control Budget" (ECB) process in budgeting. In the ECB approach, each department is given a block appropriation containing sufficient funds to provide the current level of services for the upcoming year. As Carlsbad is a growing city, the block appropriation should contain sufficient funds to pay for inflationary increases as well as growth in the customer base. Every year the block is increased by an index for growth and inflation. However, for FY 2008-09, maintenance and operation remained at the FY 2007-08 levels due to the slower economy. No additional appropriations are expected during the year except in the case of a significant unanticipated event. Amounts that are unspent at the end of the fiscal year will be carried forward to the new fiscal year. At the end of FY 2007-08, the amounts carried forward by each department will be capped at no more than 10% of the previous year's adopted budget.

#### **Budgeted Expenditures**

Through the application of these guidelines and policies, the FY 2008-09 Operating Budget of \$195.2 million was developed. The FY 2008-09 Operating Budget includes three new full-time employees: one Custodian and 0.5 Park Maintenance Worker in Public Works, a 0.5 Systems Administrator I in Information Technology, and the reclassification of a 1.0 limited-term Management Intern to a full-time Management Analyst in the City Manager's office.

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The net decrease in hourly staff totaled approximately 2.51 full-time equivalents (FTE). These changes result in a City workforce of 714.25 full and three-quarter time employees and 137.83 hourly FTE. The staffing changes are discussed below in New Facilities.

### **New Facilities**

The City has a large number of major capital projects scheduled to be built over the next five years. As the City completes these projects, the costs of maintaining and operating the facilities are added to the Operating Budget. The new Library Learning Center and seven new tennis courts at Poinsettia Park are both anticipated to open in August 2008. The Public Works Department has requested one Custodian and 0.5 Park Maintenance Worker and the Information Technology Department has requested a 0.5 Systems Administrator I to maintain and operate the new facilities in FY 2008-09.

### **Budget by Fund Type**

This table below shows the changes in the proposed operating budget for FY 2008-09 compared to the adopted budget for Fiscal Year 2007-08.

<b>BUDGET EXPENDITURE SUMMARY BY FUND TYPE (in Millions Rounded)</b>				
<b>FUND</b>	<b>BUDGET 2007-08</b>	<b>BUDGET 2008-09</b>	<b>\$ CHANGE</b>	<b>% CHANGE</b>
GENERAL FUND	\$ 116.5	\$ 118.3	\$ 1.8	1.6%
SPECIAL REVENUE	10.5	11.3	0.8	7.6%
ENTERPRISE	45.2	48.3	3.1	6.9%
INTERNAL SERVICE	13.0	15.2	2.2	16.9%
REDEVELOPMENT	1.9	2.0	0.1	5.3%
TOTAL	\$ 187.1	\$ 195.2	\$ 8.0	4.3%

The General Fund contains most of the discretionary revenues that finance the basic core of City services. However, this should not diminish the importance of the other operating funds, as they also contribute to the array of services available within Carlsbad. The remainder of this section will provide more information about the proposed budgeted expenditures by fund and program.

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### General Fund

The total budget for the General Fund is \$118.3 million, which is 1.6% more than the previous year's budget of \$116.5 million. As can be seen in the table to the right, the increase is mainly due to the increase in personnel costs which are offset by a decrease in capital outlay requests for FY 2008-09.

GENERAL FUND SUMMARY BY EXPENDITURE TYPE (in Millions)				
	BUDGET 2007-08	BUDGET 2008-09	\$ CHANGE	% CHANGE
PERSONNEL	\$ 74.2	\$ 76.8	\$ 2.6	3.5%
M & O	33.1	33.4	0.3	0.9%
CAPITAL OUTLAY	1.0	0.1	(0.9)	(90.0%)
TRANSFERS	8.2	8.0	(0.2)	(2.4)%
TOTAL	\$ 116.5	\$ 118.3	\$ 1.8	1.6%

Personnel costs make up approximately 65% of the General Fund budget so any changes in these costs can have a significant effect on the total budget. Approximately \$140,000 of the additional personnel costs are for the new proposed positions in FY 2008-09. Due to labor contracts with the City's employee groups, much of the remaining cost has been previously determined.

GENERAL FUND PERSONNEL COSTS (In Millions)				
	BUDGET 2007-08	BUDGET 2008-09	\$ CHANGE	% CHANGE
SALARIES	\$ 51.3	\$ 53.3	\$ 2.0	3.9%
HEALTH INSURANCE	6.3	6.3	0.0	0.0%
RETIREMENT	13.9	14.7	0.8	5.8%
WORKERS COMP	1.6	1.3	(0.3)	(18.8%)
OTHER PERSONNEL	1.1	1.2	0.1	9.1%
TOTAL	\$ 74.2	\$ 76.8	\$ 2.6	3.5%

The table to the left shows the breakdown of personnel costs for the General Fund. Salaries include full and part-time staff costs and increased \$2.0 million from the prior year. Benefits make up the remainder of the personnel costs. This year there is also a

slight decrease in the projected Workers' Compensation costs due to decreased projected claims.

M & O stands for Maintenance and Operations. This category contains the funds for all program expenses other than personnel or capital outlay.

Capital Outlay includes budgeted equipment purchases over \$1,000. Capital outlay over \$10,000 is further detailed in the Appendix. These amounts vary from year to year depending on the program needs.

Transfers are amounts anticipated to be transferred from the General Fund to another fund at the City. The transfers included in this year's budget are to the following funds:

- \$7.8 million to the Infrastructure Replacement Fund - for major maintenance and replacement of City infrastructure. This represents 6.5% of the General Fund Revenues, consistent with FY 2007-08.
- \$90,000 to the Hosp Grove Debt Service Fund – for debt service on bonds issued to purchase Hosp Grove. Hosp Grove was originally a grove of eucalyptus trees. It has since been developed into a nature park containing trails and a tot lot. The final debt service payment for this bond issue is due August 2008; therefore this is the last year for

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this transfer from the General Fund.

- \$1.1 million to the Information Technology Internal Service Fund – this is a transfer of previously budgeted non-departmental contingency to be used to purchase new capital equipment.
- \$170,000 to the Cultural Arts Donations Special Revenue Fund – this is a transfer of previously donated funds which were being held in the General Fund. These donations will now be accounted and expended from this Special Revenue Fund.

Advances are amounts anticipated to be transferred from the General Fund to another City fund and are expected to be repaid to the General Fund in future years. The advances included in this year's budget are to the following funds:

- \$321,000 to the Median Maintenance Special Revenue Fund. This advance is needed to cover a cash shortfall since yearly assessments collected from property owners do not cover operating expenditures.
- \$1.3 million to the Golf Course for operations. The Golf Course is a new facility and there is very little history to support the budget development. The Golf Course's budget and financials are on a calendar year basis. For calendar year 2008, the Golf Course is projecting that revenues will be approximately \$400,000 less than anticipated. This is primarily due to the economic slowdown and the poor weather. As a result of the economy, there is less revenue being generated through green fees than anticipated. The Canyons Restaurant, which is performing better than anticipated, is helping to compensate for the loss of golf revenues. In addition to the \$400,000 additional shortfall for calendar year 2008, the budget advance includes approximately \$900,000 for the estimated calendar year 2009 shortfall. The projected shortfall is primarily due to the habitat maintenance and monitoring requirements at the golf course. This is just an estimate as the 2009 budget will not be developed until the fall of 2008.
- \$136,000 from the Stormwater Fund to the General Fund to repay a prior advance.

Another way of looking at the General Fund budget is by program. The chart below compares the recommended FY 2008-09 budget to the amounts adopted in the previous year. The significant changes are noted below.

GENERAL FUND EXPENDITURES BY MAJOR SERVICE AREA (in Millions)				
FUND	BUDGET 2007-08	BUDGET 2008-09	\$ CHANGE	% CHANGE
POLICY/LEADERSHIP	\$ 4.7	\$ 4.8	\$ 0.1	2.1%
ADMINISTRATIVE SERVICES	7.9	7.6	(0.3)	(2.5%)
PUBLIC SAFETY	43.1	44.7	1.6	3.7%
COMMUNITY DEVELOPMENT	8.5	8.1	(0.4)	(4.7%)
COMMUNITY SERVICES	17.2	18.1	0.9	5.2%
PUBLIC WORKS	23.1	23.3	0.2	0.4%
NON-DEPARTMENTAL	9.8	9.4	(0.4)	(4.1%)
CONTINGENCY	2.2	2.3	0.1	4.6%
TOTAL	\$ 116.5	\$ 118.3	\$ 1.8	1.6%

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- The Policy/Leadership Group includes all elected officials and the City Manager's Office. The 2.1% increase from FY 2007-08 to FY 2008-09 is primarily due to cost of living adjustments in salary and benefit costs.
- The 2.5% decrease from FY 2007-08 to FY 2008-09 in Administrative Services is primarily due to \$150,000 that was budgeted in the previous fiscal year for a Financing City Services goal. There are no goals with fiscal impact budgeted for Administrative Services in FY 2008-09.
- The 3.7% growth in Public Safety reflects the negotiated increases in personnel costs.
- In the Community Development area, the 4.7% decrease is due mainly to approximately \$600,000 that was added in FY 2007-08 for start up costs for the Habitat Management Program. Only \$150,000 is being requested for ongoing costs in FY 2008-09 which is a \$450,000 reduction.
- Community Services includes Recreation, Library and the Arts. The 5.2% increase reflects negotiated personnel increases and the costs associated with the opening of the Library Learning Center which include increased IT chargebacks related to the addition of a 0.5 Systems Administrator and maintenance charges on new equipment.
- Public Works shows an overall increase of 0.4%. The increase reflects the addition of 1.5 new positions for new facilities, as discussed earlier, general personnel increases, as well as the impact of the additional operating costs associated with opening the Library Learning Center and Poinsettia Park tennis courts.
- Non-departmental expenses include the transfers previously discussed as well as administrative and other expenses not associated with any one department.
- The Council Contingency account is available to the City Council for unanticipated emergencies or unforeseen program needs during the year. It is budgeted at \$2.3 million, or approximately 2% of the FY 2008-09 General Fund Budget, which is consistent with the \$2.2 million budgeted in the prior fiscal year. During FY 2007-08, Council has authorized \$1.3 million of these funds to be spent on various items including: purchase of a fire rescue ambulance, City Manager recruitment expenses, review of NRG's proposal to construct a new power plant and emergency repair work on the Tamarack Avenue sink hole.



### ***Changes in Other Funds***

**Special Revenue** funds, at \$11.3 million, are up 7.6% from last year. This increase is due to the planned capital purchase of a Police mobile command post in the amount of \$250,000 from the Asset Forfeiture Fund, the purchase of television equipment for \$200,000 in the new Local Cable Infrastructure Fund and the remaining amount can be attributed to an increase in Community Development Block Grant program spending. The Local Cable Infrastructure Fund is a new fund created in FY 2007-08 in order to account for revenues and expenditures for the public education portion of cable franchise fees received. Previously these funds were controlled by the Carlsbad Community Television Foundation.

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**Enterprise** funds total \$48.3 million, which is an increase of \$3.1 million over the FY 2007-08 budget. The most significant change is in Water operations. The combined fixed and variable cost of water purchased from the San Diego County Water Authority is projected to rise over 13% this next fiscal year. In addition, maintenance of Carlsbad's growing utility infrastructure is also driving up the cost of this enterprise.

Wastewater operations increased from the current year budgeted amount due to higher costs of operating the Encina Wastewater plant, higher depreciation expense from the addition of completed facilities to the inventory, and continued implementation of the Waste Discharge Requirement Program (WDR). The WDR Program requirement is a result of an Order issued by the State Water Resources Control Board for the purpose of ensuring that overflows from the sanitary sewers are reduced statewide. This is an unfunded state mandate. In order to comply with this mandate, partial funding for additional staff and equipment were added to the FY 2007-08 operating budget, and ongoing funding is being provided.

The **Internal Service** funds budgets increased in total by approximately \$2.2 million, or 16.9%. The Internal Service funds are self-supporting through user charges. Changes occurred in a number of these funds:

- The Workers' Compensation Fund budget was decreased by an estimated \$200,000 from FY 2007-08. This decrease reflects projections that settlements will continue to decrease from previous years and claims will remain at current levels.
- The Liability Self-Insurance budget shows an increase of \$340,000 based on current estimates of increased settlements and premiums projected in FY 2008-09.
- The Vehicle Maintenance Fund budget has increased by nearly \$300,000 in FY 2008-09. This reflects the increased cost of fuel and the maintenance of City vehicles and \$100,000 in capital outlay for the upgrade of the fuel vapor extraction equipment for the fueling system.
- The Vehicle Replacement Fund budget varies from year to year depending on the vehicles to be replaced. The estimated budget for the Fund is \$133,000 more than the previous year, or a 15.0% increase. A list of the requested vehicles can be found at the end of this document.
- The Information Technology Fund shows an increase in the Department's budget of approximately \$1.6 million. This increase is mainly due to increases in major capital outlay. A list of planned major capital outlay requests can be found at the end of this document.

The **Redevelopment** Agency budgets have increased by 5.3% or an estimated \$100,000 from the previous year.

## SUMMARY

This budget emphasizes maintenance and operation of the City's current infrastructure. No new programs or expanded levels of service are included in the budget, being conscious of the economic slowdown. The 10 year financial forecast, while balanced, is reflecting less projected surpluses in each of the ten years than in previous years' forecasts. The City will need to monitor its revenues and expenditures closely to ensure we live within our means through these turbulent and uncertain economic times. The 10 year financial forecast is a useful tool to manage our way through the economic uncertainty.

## **2008-2009 OPERATING BUDGET OVERVIEW**

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The City of Carlsbad has a diverse revenue base and is in a good economic position; however, Carlsbad is not immune to the economy. The planning and foresight by the City Council and residents have provided a sound economic base for the City. Fiscal conservatism, which has consistently been the city's overall approach to managing its finances, will be even more important during this economic slowdown.

The challenges for the future will also include transitioning from a developing City to a fully built City; it will be about managing costs while continuing to look for appropriate revenue streams sufficient to pay for the services desired by the citizens. This year's budget reflects the anticipated achievement of Council's vision and goals for the City. It allocates the available funding in a manner that proactively plans for the future. This plan will provide essential City services to all who live, work, and play in Carlsbad.

**CITY OF CARLSBAD  
OPERATING FUNDS  
PROJECTED FUND BALANCES**

FUND	UNRESERVED BALANCE JULY 1, 2007	ESTIMATED REVENUES	ESTIMATED EXPENDITURES	FUND TRANSFERS	PROJECTED BALANCE JUNE 30, 2008
<b>GENERAL FUND</b>	66,083,403	120,183,000	116,728,866		69,537,537
ADVANCE FROM SOLID WASTE				136,000	136,000
TRANSFER TO CIP-SAFETY TRAINING FACILITY				(10,850,000)	(10,850,000)
ADVANCE TO MEDIAN MAINTENANCE				(108,000)	(108,000)
ADVANCE TO SOLID WASTE				(138,800)	(138,800)
TOTAL	<u>66,083,403</u>	<u>120,183,000</u>	<u>116,728,866</u>		<u>58,576,737</u>
<b>SPECIAL REVENUE</b>					
POLICE ASSET FORFEITURE	641,626	191,980	153,009		680,597
COPS GRANT	83,213	200,162	178,980		104,395
POLICE GRANTS	2,561	28,095	30,656		0
HOUSING SECTION 8	1,218,074	6,490,969	5,720,511		1,988,532
AFFORDABLE HOUSING	12,430,883	2,140,996	817,052		13,754,827
CDBG ENTITLEMENT	0	518,940	480,855		38,085
LIBRARY ENDOWMENT FUND	270,301	14,200	14,400		270,101
LIBRARY GIFTS/BEQUESTS	72,202	74,585	118,825		27,962
TREE MAINTENANCE	502,094	485,391	598,368		389,117
MEDIAN MAINTENANCE	270,666	365,630	709,226	108,000	35,070
STREET LIGHTING	786,724	950,661	1,244,978		492,407
BUENA VISTA CRK CHNL MNT	1,048,937	143,000	90,600		1,101,337
LIGHTING AND LANDSCAPING DIST #2	273,169	476,623	248,434		501,358
CULTURAL ARTS DONATIONS	88,898	59,485	63,368		85,015
PUBLIC ART	205,186	11,000	22,100		194,086
RECREATION DONATIONS	109,745	42,000	17,900		133,845
SENIOR DONATIONS	198,960	19,000	60,267		157,693
COMMUNITY ACTIVITY GRANTS	1,016,069	53,500	30,000		1,039,569
LOCAL CABLE INFRASTRUCTURE FUNDS	0	75,000	0		75,000
TOTAL	<u>19,219,308</u>	<u>12,341,217</u>	<u>10,599,529</u>		<u>21,068,996</u>
<b>ENTERPRISE</b>					
WATER OPERATIONS	(1,696,153)	24,766,494	26,011,539		(2,941,198)
RECYCLED WATER OPERATIONS	3,092,477	3,804,339	4,861,031		2,035,785
WASTEWATER OPERATIONS	2,894,181	8,829,643	10,426,634		1,297,190
SOLID WASTE MANAGEMENT	7,504,770	3,008,058	3,225,239	2,800	7,290,389
TOTAL	<u>11,795,275</u>	<u>40,408,534</u>	<u>44,524,443</u>		<u>7,682,166</u>
<b>INTERNAL SERVICE</b>					
WORKER'S COMP SELF INSURANCE	5,665,644	2,205,469	1,774,325		6,096,788
RISK MANAGEMENT	310,130	1,539,776	1,379,109		470,797
SELF-INSURED BENEFITS	11,880,816	1,422,274	9,169,353		4,133,737
VEHICLE MAINTENANCE	205,214	2,523,045	2,512,055		216,204
VEHICLE REPLACEMENT	14,726,346	2,431,321	2,685,557		14,472,110
INFORMATION TECHNOLOGY	4,438,524	5,728,594	6,723,932		3,443,186
TOTAL	<u>37,226,674</u>	<u>15,850,479</u>	<u>24,244,331</u>		<u>28,832,822</u>
<b>REDEVELOPMENT</b>					
VILLAGE OPERATIONS / DEBT SVC	2,930,411	2,868,640	1,661,275		4,137,776
VILLAGE LOW/MOD INCOME HOUSING	3,592,924	888,000	108,418		4,372,506
SCCRA OPERATIONS / DEBT SVC	325,948	17,614	184,075		159,487
SCCRA LOW/MOD INCOME HOUSING	363,116	18,900	47,754		334,262
TOTAL	<u>7,212,399</u>	<u>3,793,154</u>	<u>2,001,522</u>		<u>9,004,031</u>
<b>TOTAL OPERATING FUNDS</b>	<b>\$141,537,059</b>	<b>\$192,576,384</b>	<b>\$198,098,691</b>	<b>(\$10,850,000)</b>	<b>\$125,164,752</b>

**CITY OF CARLSBAD  
OPERATING FUNDS  
PROJECTED FUND BALANCES**

FUND	PROJECTED BALANCE JULY 1, 2008	ESTIMATED REVENUES	ADOPTED BUDGET	FUND TRANSFERS	RESERVED BALANCES	PROJECTED BALANCE JUNE 30, 2009
<b>GENERAL FUND</b>	58,576,737	120,677,505	118,331,742			60,922,500
ADVANCE FROM SOLID WASTE				136,000		136,000
ADVANCE TO MEDIAN FUND				(321,000)		(321,000)
ADVANCE FOR GOLF COURSE OPERATIONS				(1,350,000)		(1,350,000)
TRANSFER TO IT (NON-DEPT CONTINGENCY)				(1,068,080)		(1,068,080)
TOTAL	<u>58,576,737</u>	<u>120,677,505</u>	<u>118,331,742</u>			<u>58,319,420</u>
<b>SPECIAL REVENUE</b>						
POLICE ASSET FORFEITURE	680,597	73,000	313,500			440,097
COPS GRANT	104,395	213,500	240,462			77,433
POLICE GRANTS	0	0	0			0
HOUSING SECTION 8	1,988,532	5,987,044	5,896,617			2,078,959
AFFORDABLE HOUSING	13,754,827	1,040,000	408,007		(2,472,337)	11,914,483
CDBG ENTITLEMENT	38,085	1,017,065	1,054,750			400
LIBRARY ENDOWMENT FUND	270,101	14,000	16,000		(250,000)	18,101
LIBRARY GIFTS/BEQUESTS	27,962	26,200	25,000			29,162
TREE MAINTENANCE	389,117	478,368	604,933			262,552
MEDIAN MAINTENANCE	35,070	365,421	721,058	321,000		433
STREET LIGHTING	492,407	900,282	1,170,021			222,668
BUENA VISTA CRK CHNL MNT	1,101,337	144,100	111,500			1,133,937
LIGHTING AND LANDSCAPING DIST #2	501,358	392,290	196,887			696,761
CULTURAL ARTS DONATIONS	85,015	235,901	87,560			233,356
PUBLIC ART	194,086	6,800	38,900			161,986
RECREATION DONATIONS	133,845	52,443	93,200			93,088
SENIOR DONATIONS	157,693	13,700	59,300			112,093
COMMUNITY ACTIVITY GRANTS	1,039,569	45,000	40,000		(1,000,000)	44,569
LOCAL CABLE INFRASTRUCTURE FUNDS	75,000	150,000	222,829			2,171
TOTAL	<u>21,068,996</u>	<u>11,155,114</u>	<u>11,300,524</u>			<u>17,522,249</u>
<b>ENTERPRISE</b>						
WATER OPERATIONS	(2,941,198)	29,570,610	28,468,851			(1,839,439)
RECYCLED WATER OPERATIONS	2,035,785	4,886,070	6,195,723			726,132
WASTEWATER OPERATIONS	1,297,190	9,663,719	10,245,746			715,163
SOLID WASTE MANAGEMENT	7,290,389	3,573,169	3,398,438	(136,000)		7,329,120
TOTAL	<u>7,682,166</u>	<u>47,693,568</u>	<u>48,308,758</u>			<u>6,930,976</u>
<b>INTERNAL SERVICE</b>						
WORKER'S COMP SELF INSUR	6,096,788	1,608,787	1,829,429		(3,500,000)	2,376,146
RISK MANAGEMENT	470,797	1,354,144	1,691,190		(750,000)	(616,249)
SELF-INSURED BENEFITS	4,133,737	923,349	996,405		(3,602,851)	457,830
VEHICLE MAINTENANCE	216,204	3,153,409	3,041,107			328,506
VEHICLE REPLACEMENT	14,472,110	2,657,149	998,000		(5,000,000)	11,131,259
INFORMATION TECHNOLOGY	3,443,186	5,950,560	6,674,450	1,068,080	(1,071,902)	2,715,474
TOTAL	<u>28,832,822</u>	<u>15,647,398</u>	<u>15,230,581</u>			<u>16,392,966</u>
<b>REDEVELOPMENT</b>						
VILLAGE OPERATIONS / DEBT SVC	4,137,776	2,956,303	1,698,237			5,395,842
VILLAGE LOW/MOD INCOME HOUSING	4,372,506	914,543	96,692		(1,014,000)	4,176,357
SCCRA OPERATIONS / DEBT SVC	159,487	13,800	173,287			0
SCCRA LOW/MOD INCOME HOUSING	334,262	14,000	43,910			304,352
TOTAL	<u>9,004,031</u>	<u>3,898,646</u>	<u>2,012,126</u>			<u>9,876,551</u>
<b>TOTAL OPERATING FUNDS</b>	<u>\$125,164,752</u>	<u>\$199,072,231</u>	<u>\$195,183,731</u>	<u>(\$1,350,000)</u>	<u>(\$18,661,090)</u>	<u>\$109,042,162</u>

**CITY OF CARLSBAD  
OPERATING FUNDS  
REVENUE ESTIMATES**

REVENUE SOURCE	ACTUAL REVENUE 2006-07	PROJECTED REVENUE 2007-08	ESTIMATED REVENUE 2008-09	AS % OF FY 07-08 PROJECTED	DIFFERENCE 2007-08 TO 2008-09
<b>GENERAL FUND</b>					
<b>TAXES</b>					
PROPERTY TAX	\$43,651,329	\$47,786,000	\$50,305,000	5.3%	2,519,000
SALES TAX	27,888,562	28,501,000	28,498,000	0.0%	(3,000)
TRANSIENT TAX	12,929,008	13,575,000	14,786,000	8.9%	1,211,000
FRANCHISE TAX	5,346,108	4,912,000	4,995,000	1.7%	83,000
BUSINESS LICENSE TAX	3,055,710	3,132,000	3,132,000	0.0%	0
TRANSFER TAX	1,261,849	788,000	833,000	5.7%	45,000
<b>TOTAL TAXES</b>	<b>94,132,566</b>	<b>98,694,000</b>	<b>102,549,000</b>	<b>3.9%</b>	<b>3,855,000</b>
<b>INTERGOVERNMENTAL</b>					
VEHICLE LICENSE FEES	608,257	529,000	547,000	3.4%	18,000
OTHER	8,704,644	3,507,000	1,309,000	-62.7%	(2,198,000)
<b>TOTAL INTERGOVERNMENTAL</b>	<b>9,312,901</b>	<b>4,036,000</b>	<b>1,856,000</b>	<b>-54.0%</b>	<b>(2,180,000)</b>
<b>LICENSES AND PERMITS</b>					
BUILDING PERMITS	1,006,155	781,000	721,000	-7.7%	(60,000)
OTHER LICENSES & PERMITS	1,087,651	877,000	786,000	-10.4%	(91,000)
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>2,093,806</b>	<b>1,658,000</b>	<b>1,507,000</b>	<b>-9.1%</b>	<b>(151,000)</b>
<b>CHARGES FOR SERVICES</b>					
PLANNING FEES	1,097,045	788,000	418,000	-47.0%	(370,000)
BUILDING DEPT. FEES	733,740	762,000	680,000	-10.8%	(82,000)
ENGINEERING FEES	1,614,082	1,594,000	1,005,000	-37.0%	(589,000)
AMBULANCE FEES	1,720,624	1,796,000	1,854,000	3.2%	58,000
RECREATION FEES	1,650,556	1,707,000	1,779,000	4.2%	72,000
OTHER CHARGES OR FEES	777,044	803,000	403,000	-49.8%	(400,000)
<b>TOTAL CHARGES FOR SERVICES</b>	<b>7,593,091</b>	<b>7,450,000</b>	<b>6,139,000</b>	<b>-17.6%</b>	<b>(1,311,000)</b>
<b>FINES AND FORFEITURES</b>	<b>1,262,006</b>	<b>1,305,000</b>	<b>1,212,000</b>	<b>-7.1%</b>	<b>(93,000)</b>
<b>INCOME FROM INVESTMENTS AND PROPERTY*</b>	<b>5,884,805</b>	<b>3,903,000</b>	<b>3,873,000</b>	<b>-0.8%</b>	<b>(30,000)</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>2,122,938</b>	<b>2,570,000</b>	<b>2,998,000</b>	<b>16.7%</b>	<b>428,000</b>
<b>OTHER REVENUE SOURCES</b>	<b>2,145,435</b>	<b>567,000</b>	<b>543,505</b>	<b>-4.1%</b>	<b>(23,495)</b>
<b>TOTAL GENERAL FUND</b>	<b>124,547,548</b>	<b>120,183,000</b>	<b>120,677,505</b>	<b>0.4%</b>	<b>494,505</b>

\* Interest is calculated on an amortized cost basis.

**CITY OF CARLSBAD  
OPERATING FUNDS  
REVENUE ESTIMATES**

REVENUE SOURCE	ACTUAL REVENUE 2006-07	PROJECTED REVENUE 2007-08	ESTIMATED REVENUE 2008-09	AS % OF FY 07-08 PROJECTED	DIFFERENCE 2007-08 TO 2008-09
<b>SPECIAL REVENUE FUNDS</b>					
<b>POLICE ASSET FORFEITURE</b>					
ASSET FORFEITURES	124,684	154,480	50,000	-67.6%	(104,480)
INTEREST	32,640	37,500	23,000	-38.7%	(14,500)
TOTAL	157,324	191,980	73,000	-62.0%	(118,980)
<b>COPS GRANT</b>					
STATE FUNDING (AB3229)	191,926	194,862	210,000	7.8%	15,138
INTEREST	4,710	5,300	3,500	-34.0%	(1,800)
TOTAL	196,636	200,162	213,500	6.7%	13,338
<b>POLICE GRANTS</b>					
FEDERAL GRANT	6,695	28,095	0	-100.0%	(28,095)
INTEREST	828	0	0	0.0%	0
OTHER	1,651	0	0	0.0%	0
TOTAL	9,174	28,095	0	-100.0%	(28,095)
<b>HOUSING - SECTION 8</b>					
FEDERAL GRANT	6,017,514	6,404,969	5,956,044	-7.0%	(448,925)
INTEREST	12,462	47,000	11,000	-76.6%	(36,000)
OTHER	27,119	39,000	20,000	-48.7%	(19,000)
TOTAL	6,057,095	6,490,969	5,987,044	-7.8%	(503,925)
<b>AFFORDABLE HOUSING</b>				0.0%	
AFFORDABLE HOUSING FEES	278,609	164,000	195,000	0.0%	31,000
FEDERAL GRANT	6,663	300,000	239,000	-20.3%	(61,000)
STATE GRANT	0	400,500	0	-100.0%	(400,500)
INTEREST	641,979	606,233	606,000	0.0%	(233)
OTHER	337,773	670,263	0	-100.0%	(670,263)
TOTAL	1,265,024	2,140,996	1,040,000	-51.4%	(1,100,996)
<b>CDBG ENTITLEMENT</b>					
FEDERAL GRANT	257,599	435,075	927,065	113.1%	491,990
INTEREST	48,608	46,770	45,000	-3.8%	(1,770)
OTHER	43,774	37,095	45,000	21.3%	7,905
TOTAL	349,981	518,940	1,017,065	96.0%	498,125
<b>LIBRARY ENDOWMENT FUND</b>					
INTEREST	14,602	14,200	14,000	-1.4%	(200)
TOTAL	14,602	14,200	14,000	-1.4%	(200)
<b>LIBRARY GIFTS/BEQUESTS</b>					
GIFTS/BEQUESTS	102,126	70,235	25,000	-64.4%	(45,235)
INTEREST	5,890	4,350	1,200	-72.4%	(3,150)
TOTAL	108,016	74,585	26,200	-64.9%	(48,385)
<b>TREE MAINTENANCE</b>					
TREE MAINTENANCE FEES	457,649	460,391	462,768	0.5%	2,377
INTEREST	33,674	25,000	15,600	-37.6%	(9,400)
TOTAL	491,323	485,391	478,368	-1.5%	(7,023)
<b>MEDIAN MAINTENANCE</b>					
MEDIAN MAINTENANCE FEES	366,295	365,630	365,421	-0.1%	(209)
INTEREST	2,389	0	0	0.0%	0
TOTAL	368,684	365,630	365,421	-0.1%	(209)

**CITY OF CARLSBAD  
OPERATING FUNDS  
REVENUE ESTIMATES**

REVENUE SOURCE	ACTUAL REVENUE 2006-07	PROJECTED REVENUE 2007-08	ESTIMATED REVENUE 2008-09	AS % OF FY 07-08 PROJECTED	DIFFERENCE 2007-08 TO 2008-09
<b>STREET LIGHTING</b>					
STREET LIGHTING FEES	711,783	721,574	726,101	0.6%	4,527
INTERDEPARTMENTAL	28,000	28,000	28,000	0.0%	0
OTHER	206,040	167,087	126,481	-24.3%	(40,606)
INTEREST	46,917	34,000	19,700	-42.1%	(14,300)
TOTAL	992,740	950,661	900,282	-5.3%	(50,379)
<b>BUENA VISTA CREEK CHNL MAINT</b>					
BUENA VISTA FEES	100,191	100,000	100,000	0.0%	0
INTEREST	52,648	43,000	44,100	2.6%	1,100
TOTAL	152,839	143,000	144,100	0.8%	1,100
<b>LIGHTING AND LANDSCAPING DIST #2</b>					
LLD #2 FEES	269,625	470,423	385,290	-18.1%	(85,133)
INTEREST	6,132	6,200	7,000	12.9%	800
OTHER	3,000	0	0	0.0%	0
TOTAL	278,757	476,623	392,290	-17.7%	(84,333)
<b>CULTURAL ARTS DONATIONS</b>					
DONATIONS	40,720	54,993	37,000	-32.7%	(17,993)
INTEREST	3,914	4,492	9,000	100.4%	4,508
OTHER	0	0	189,901	0.0%	189,901
TOTAL	44,634	59,485	235,901	296.6%	176,416
<b>PUBLIC ART</b>					
INTEREST	11,008	11,000	6,800	-38.2%	(4,200)
TOTAL	11,008	11,000	6,800	-38.2%	(4,200)
<b>RECREATION DONATIONS</b>					
DONATIONS	24,078	35,500	48,000	35.2%	12,500
INTEREST	6,044	6,500	4,443	0.0%	0
TOTAL	30,122	42,000	52,443	24.9%	10,443
<b>SENIOR DONATIONS</b>					
DONATIONS	8,239	9,000	9,000	0.0%	0
INTEREST	10,828	10,000	4,700	-53.0%	(5,300)
TOTAL	19,067	19,000	13,700	-27.9%	(5,300)
<b>COMMUNITY ACTIVITY GRANTS</b>					
INTEREST	54,413	53,500	45,000	-15.9%	(8,500)
TOTAL	54,413	53,500	45,000	-15.9%	(8,500)
<b>LOCAL CABLE INFRASTRUCTURE FUNDS</b>					
CABLE FEES	0	75,000	150,000	100.0%	75,000
INTEREST	0	0	0	0.0%	0
TOTAL	0	75,000	150,000	100.0%	75,000
<b>TOTAL SPECIAL REVENUE FUNDS</b>	<b>10,601,439</b>	<b>12,341,217</b>	<b>11,155,114</b>	<b>-9.6%</b>	<b>(1,186,103)</b>

**CITY OF CARLSBAD  
OPERATING FUNDS  
REVENUE ESTIMATES**

REVENUE SOURCE	ACTUAL REVENUE 2006-07	PROJECTED REVENUE 2007-08	ESTIMATED REVENUE 2008-09	AS % OF FY 07-08 PROJECTED	DIFFERENCE 2007-08 TO 2008-09
<b>ENTERPRISE FUNDS</b>					
<b>WATER OPERATIONS</b>					
WATER SALES	15,482,110	16,048,769	19,505,674	21.5%	3,456,905
READY TO SERVE CHARGES	4,131,557	4,720,000	5,640,932	19.5%	920,932
PROPERTY TAXES	2,505,551	2,730,725	2,864,531	4.9%	133,806
NEW ACCOUNT CHARGES	97,650	87,000	85,000	-2.3%	(2,000)
BACK-FLOW PROGRAM FEES	112,863	115,000	161,715	40.6%	46,715
PENALTY FEES	268,000	235,000	326,905	39.1%	91,905
INTEREST	748,127	150,000	(117,648)	-178.4%	(267,648)
ENGINEERING OVERHEAD	110,876	100,000	102,500	2.5%	2,500
SERVICE CONNECTION FEES	125,100	80,000	80,000	0.0%	0
AGRICULTURAL CREDITS	129,078	100,000	96,000	-4.0%	(4,000)
OTHER	1,509,009	400,000	825,001	106.3%	425,001
TOTAL	25,219,921	24,766,494	29,570,610	19.4%	4,804,116
<b>RECYCLED WATER</b>					
WATER SALES	1,811,240	2,241,925	2,909,896	29.8%	667,971
READY-TO-SERVE CHARGE	139,776	170,323	205,467	20.6%	35,144
RECYCLED WATER CREDITS	839,367	1,182,800	1,578,580	33.5%	395,780
INTEREST	307,076	209,291	178,127	-14.9%	(31,164)
OTHER	20,018	0	14,000	0.0%	14,000
TOTAL	3,117,477	3,804,339	4,886,070	28.4%	1,081,731
<b>WASTEWATER OPERATIONS</b>					
SERVICE CHARGES	7,397,978	8,436,613	9,292,550	10.2%	855,937
MISC SEWER	37,759	38,285	38,683	1.0%	398
ENGINEERING OVERHEAD	118,703	122,263	125,000	2.2%	2,737
PENALTY FEES	70,916	71,904	72,652	1.0%	748
INTEREST	300,953	142,067	115,767	-18.5%	(26,300)
OTHER	9,941	18,511	19,067	3.0%	556
TOTAL	7,936,250	8,829,643	9,663,719	9.5%	834,076
<b>SOLID WASTE MANAGEMENT</b>					
INTEREST	390,229	300,191	294,244	-2.0%	(5,947)
RECYCLING FEES (AB939)	291,093	297,796	309,708	4.0%	11,912
PENALTY FEES	49,838	51,832	53,905	4.0%	2,073
TRASH SURCHARGE	1,626,441	2,219,439	2,761,039	24.4%	541,600
OTHER	19,484	138,800	154,273	11.2%	15,473
TOTAL	2,377,085	3,008,058	3,573,169	18.8%	565,111
TOTAL ENTERPRISE FUNDS	38,650,733	40,408,534	47,693,568	18.0%	7,285,034

**CITY OF CARLSBAD  
OPERATING FUNDS  
REVENUE ESTIMATES**

REVENUE SOURCE	ACTUAL REVENUE 2006-07	PROJECTED REVENUE 2007-08	ESTIMATED REVENUE 2008-09	AS % OF FY 07-08 PROJECTED	DIFFERENCE 2007-08 TO 2008-09
<b>INTERNAL SERVICE FUNDS</b>					
<b>WORKERS' COMP SELF-INSURANCE</b>					
INTERDEPARTMENTAL	2,350,492	1,862,395	1,397,000	-25.0%	(465,395)
INTEREST	258,010	335,741	206,288	-38.6%	(129,453)
OTHER	55,358	7,333	5,499	-25.0%	(1,834)
TOTAL	2,663,860	2,205,469	1,608,787	-27.1%	(596,682)
<b>LIABILITY SELF-INSURANCE</b>					
INTERDEPARTMENTAL	1,374,019	1,507,380	1,324,610	-12.1%	(182,770)
INTEREST	28,889	6,845	3,013	-56.0%	(3,832)
OTHER	256,030	25,551	26,521	3.8%	970
TOTAL	1,658,938	1,539,776	1,354,144	-12.1%	(185,632)
<b>SELF-INSURED BENEFITS</b>					
INTERDEPARTMENTAL	8,790,997	973,529	860,887	-11.6%	-100.0%
INTEREST	0	388,570	0	-100.0%	0.0%
OTHER	50,630	60,175	62,462	3.8%	2,287
TOTAL	8,841,627	1,422,274	923,349	-35.1%	(498,925)
<b>VEHICLE MAINTENANCE</b>					
INTERDEPARTMENTAL	2,463,351	2,498,553	3,134,077	25.4%	635,524
INTEREST	4,583	5,679	2,152	-62.1%	(3,527)
OTHER	19,660	18,813	17,180	-8.7%	(1,633)
TOTAL	2,487,594	2,523,045	3,153,409	25.0%	630,364
<b>VEHICLE REPLACEMENT</b>					
INTERDEPARTMENTAL	1,372,415	1,940,578	2,237,306	15.3%	296,728
INTEREST	474,090	490,743	419,843	-14.5%	(70,900)
OTHER	0	0	0	0.0%	0
TOTAL	1,846,505	2,431,321	2,657,149	9.3%	225,828
<b>INFORMATION TECHNOLOGY</b>					
FEDERAL GRANT	43,552	140,878	0	-100.0%	(140,878)
INTERDEPARTMENTAL	4,542,885	5,393,716	5,825,560	8.0%	431,844
INTEREST	221,465	194,000	125,000	-35.6%	(69,000)
OTHER	66	0	0	0.0%	0
TOTAL	4,807,968	5,728,594	5,950,560	3.9%	221,966
TOTAL INTERNAL SERVICE FUNDS	22,306,492	15,850,479	15,647,398	-1.3%	(203,081)

**CITY OF CARLSBAD  
OPERATING FUNDS  
REVENUE ESTIMATES**

REVENUE SOURCE	ACTUAL REVENUE 2006-07	PROJECTED REVENUE 2007-08	ESTIMATED REVENUE 2008-09	AS % OF FY 07-08 PROJECTED	DIFFERENCE 2007-08 TO 2008-09
<b>REDEVELOPMENT FUNDS</b>					
<b>VILLAGE OPERATIONS / DEBT SERVICE</b>					
RENTAL INCOME	44,118	66,960	60,000	-10.4%	(6,960)
TAX INCREMENT	2,664,424	2,648,000	2,738,303	3.4%	90,303
INTEREST	113,353	140,000	145,000	3.6%	5,000
OTHER	11,055	13,680	13,000	-5.0%	(680)
TOTAL	2,832,950	2,868,640	2,956,303	3.1%	87,663
<b>VILLAGE LOW AND MOD INCOME HSNG</b>					
TAX INCREMENT	666,106	662,000	684,543	3.4%	22,543
INTEREST	167,076	226,000	230,000	1.8%	4,000
TOTAL	833,182	888,000	914,543	3.0%	26,543
<b>SCCRA OPERATIONS / DEBT SERVICE</b>					
TAX INCREMENT	0	0	0	0.0%	0
INTEREST	23,338	17,614	13,800	-21.7%	(3,814)
OTHER	10,000	0	0	0.0%	0
TOTAL	33,338	17,614	13,800	-21.7%	(3,814)
<b>SCCRA LOW AND MOD INCOME HSNG</b>					
TAX INCREMENT	0	0	0	0.0%	0
INTEREST	20,176	18,900	14,000	-25.9%	(4,900)
TOTAL	20,176	18,900	14,000	-25.9%	(4,900)
<b>TOTAL REDEVELOPMENT FUNDS</b>	3,719,646	3,793,154	3,898,646	2.8%	105,492
<b>TOTAL OPERATING</b>	<b>\$199,825,858</b>	<b>\$192,576,384</b>	<b>\$199,072,231</b>	<b>3.4%</b>	<b>\$6,495,847</b>

**CITY OF CARLSBAD  
OPERATING FUNDS  
BUDGET EXPENDITURE SCHEDULE**

						%INCR (DEC)
	2005-06	2006-07	2007-08	2007-08	2008-09	07-08 BUD
DEPARTMENT	ACTUALS	ACTUALS	ESTIMATED	ADOPTED	FINAL	TO
			EXPENDITURES	BUDGET	BUDGET	08-09 BUD
<b>GENERAL FUND</b>						
<b>POLICY AND LEADERSHIP GROUP</b>						
CITY COUNCIL	336,692	365,296	376,202	392,144	402,334	2.6%
CITY MANAGER	1,281,088	1,325,334	1,679,083	1,625,349	1,674,222	3.0%
COMMUNICATIONS	965,214	923,185	1,167,532	1,048,217	1,070,356	2.1%
CITY CLERK	143,395	274,267	170,270	163,669	189,075	15.5%
CITY ATTORNEY	1,126,898	1,233,596	1,260,970	1,264,233	1,298,233	2.7%
CITY TREASURER	161,239	163,376	180,683	192,675	196,027	1.7%
TOTAL POLICY/LEADERSHIP GROUP	4,014,526	4,285,054	4,834,740	4,686,287	4,830,247	3.1%
<b>ADMINISTRATIVE SERVICES</b>						
ADMINISTRATION	541,333	725,977	878,816	1,054,532	917,031	-13.0%
FINANCE	2,526,183	3,037,751	3,348,482	3,049,051	3,134,377	2.8%
HUMAN RESOURCES	1,989,763	2,141,082	2,311,855	2,844,348	2,632,979	-7.4%
RECORDS MANAGEMENT	803,838	891,994	911,134	924,501	931,505	0.8%
TOTAL ADMINISTRATIVE SERVICES	5,861,117	6,796,804	7,450,287	7,872,432	7,615,892	-3.3%
<b>PUBLIC SAFETY</b>						
POLICE	22,680,660	24,498,328	26,168,093	25,864,578	27,184,380	5.1%
FIRE	13,856,441	15,082,999	17,837,431	17,181,178	17,465,707	1.7%
TOTAL PUBLIC SAFETY	36,537,101	39,581,327	44,005,524	43,045,756	44,650,087	3.7%
<b>COMMUNITY DEVELOPMENT</b>						
COMMUNITY DEVEL ADMIN	913,458	823,070	1,268,766	706,926	723,016	2.3%
GEOGRAPHIC INFORMATION	435,237	432,116	519,284	556,882	574,245	3.1%
ECONOMIC DEVELOPMENT	179,970	189,493	329,175	321,539	434,117	35.0%
PLANNING	3,059,071	3,348,610	3,734,399	4,554,556	4,011,114	-11.9%
BUILDING	2,122,623	2,113,706	2,323,810	2,344,732	2,393,693	2.1%
TOTAL COMMUNITY DEVELOPMENT	6,710,359	6,906,995	8,175,434	8,484,635	8,136,185	-4.1%
<b>COMMUNITY SERVICES</b>						
LIBRARY	8,716,112	9,202,445	9,414,775	9,636,275	10,114,524	5.0%
CULTURAL ARTS PROGRAM	816,224	854,489	847,245	842,916	1,031,701	22.4%
RECREATION	5,150,270	5,595,013	5,414,860	5,764,780	5,962,002	3.4%
SENIOR PROGRAMS	723,766	803,291	1,087,823	994,046	995,826	0.2%
TOTAL COMMUNITY SERVICES	15,406,372	16,455,238	16,764,703	17,238,017	18,104,053	5.0%

NOTE: Estimated expenditures may exceed Adopted Budget since they include prior year budget appropriations.

**CITY OF CARLSBAD  
OPERATING FUNDS  
BUDGET EXPENDITURE SCHEDULE**

			2007-08	2007-08	2008-09	%INCR (DEC)
	2005-06	2006-07	ESTIMATED	ADOPTED	FINAL	07-08 BUD
DEPARTMENT	ACTUALS	ACTUALS	EXPENDITURES	BUDGET	BUDGET	TO 08-09 BUD
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<b>PUBLIC WORKS</b>						
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PUBLIC WORKS ADMIN	908,190	980,043	1,111,523	1,123,216	1,064,153	-5.3%
ENGINEERING	6,085,520	6,312,871	9,946,462	8,827,907	9,087,826	2.9%
FACILITIES MAINTENANCE	3,246,660	3,421,226	4,437,005	3,823,980	3,817,122	-0.2%
PARK MAINTENANCE	4,078,500	4,846,336	5,417,037	5,208,007	5,069,059	-2.7%
STREET MAINTENANCE	2,641,551	3,504,395	3,385,729	3,060,435	3,092,862	1.1%
TRAFFIC SIGNAL MAINT	953,588	986,231	1,056,165	738,997	792,011	7.2%
TRAILS MAINTENANCE	132,537	223,061	277,856	338,789	353,645	4.4%
TOTAL PUBLIC WORKS	<u>18,046,546</u>	<u>20,274,163</u>	<u>25,631,777</u>	<u>23,121,331</u>	<u>23,276,678</u>	<u>0.7%</u>
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<b>NON-DEPARTMENTAL</b>						
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COMMUNITY PROMOTION	338,668	0	0	0	0	-
COMMUNITY CONTRIBUTIONS	66,500	33,714	45,000	60,000	0	-100.0%
BEACH PARKING	2,434	0	0	36,000	36,000	0.0%
HOSP GROVE PAYMENT	800,000	275,000	275,000	275,000	90,000	-67.3%
PROPERTY TAX AND OTHER ADMIN	436,028	453,875	495,600	550,600	540,700	-1.8%
DUES & SUBSCRIPTIONS	58,207	54,749	55,000	75,700	66,900	-11.6%
INFRASTRUCTURE REPLACE TRANS	4,250,000	7,200,000	7,900,000	7,900,000	7,800,000	-1.3%
MANAGEMENT INCENTIVE PAY	0	0	0	635,000	635,000	0.0%
DISASTER PREPAREDNESS	5,499,702	1,270,955	870,801	0	0	-
LEGAL SERVICES	118,030	117,086	225,000	250,000	250,000	0.0%
TRANSFER TO CIP	600,000	0	0	0	0	-
MISC / TRANSFERS OUT	50,000	4,878,487	0	0	0	-
TOTAL NON-DEPARTMENTAL	<u>12,219,569</u>	<u>14,283,866</u>	<u>9,866,401</u>	<u>9,782,300</u>	<u>9,418,600</u>	<u>-3.7%</u>
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SUBTOTAL GENERAL FUND	<u>98,795,590</u>	<u>108,583,447</u>	<u>116,728,866</u>	<u>114,230,758</u>	<u>116,031,742</u>	<u>1.6%</u>
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CONTINGENCIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,240,000</u>	<u>2,300,000</u>	<u>2.7%</u>
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TOTAL GENERAL FUND	<u>98,795,590</u>	<u>108,583,447</u>	<u>116,728,866</u>	<u>116,470,758</u>	<u>118,331,742</u>	<u>1.6%</u>

**CITY OF CARLSBAD  
OPERATING FUNDS  
BUDGET EXPENDITURE SCHEDULE**

			2007-08	2007-08	%INCR (DEC)
	2005-06	2006-07	ESTIMATED	ADOPTED	07-08 BUD
DEPARTMENT	ACTUALS	ACTUALS	EXPENDITURES	BUDGET	TO
					08-09 BUD
SPECIAL REVENUE FUNDS					
POLICE ASSET FORFEITURE	81,952	152,853	153,009	140,351	123.4%
COPS FUND	118,390	131,080	178,980	219,746	9.4%
POLICE GRANTS	13,906	39,798	30,656	0	-
HOUSING SECTION 8	5,732,312	5,208,220	5,720,511	6,020,512	-2.1%
AFFORDABLE HOUSING	252,157	341,796	817,052	436,366	-6.5%
CDBG ENTITLEMENT	965,154	370,135	480,855	602,848	75.0%
LIBRARY ENDOWMENT FUND	10,050	10,251	14,400	12,350	29.6%
LIBRARY GIFTS/BEQUESTS	117,072	114,526	118,825	0	-
TREE MAINTENANCE	603,625	578,008	598,368	598,368	1.1%
MEDIAN MAINTENANCE	557,835	510,376	709,226	709,226	1.7%
STREET LIGHTING	1,166,130	951,686	1,244,978	1,244,978	-6.0%
BUENA VISTA CRK CHNL MNT	44,783	49,747	90,600	90,600	23.1%
LIGHTING AND LANDSCAPING DIST #2	53,060	117,018	248,434	248,434	-20.7%
CULTURAL ARTS DONATIONS	40,006	41,936	63,368	59,520	47.1%
PUBLIC ART	13,241	8,501	22,100	26,100	49.0%
RECREATION DONATIONS	11,670	21,351	17,900	16,200	475.3%
SENIOR DONATIONS	8,697	14,494	60,267	64,500	-8.1%
COMMUNITY ACTIVITY GRANTS	28,058	30,000	30,000	30,000	33.3%
LOCAL CABLE INFRASTRUCTURE FUNDS	0	0	0	0	-
TOTAL SPECIAL REVENUE FUNDS	9,818,098	8,691,776	10,599,529	10,520,099	7.4%
ENTERPRISE FUNDS					
WATER OPERATIONS	22,493,595	38,707,083	26,011,539	26,048,581	9.3%
RECYCLED WATER OPERATIONS	2,986,327	3,418,249	4,861,031	4,971,322	24.6%
WASTEWATER OPERATIONS	8,366,660	8,601,772	10,426,634	10,846,430	-5.5%
SOLID WASTE MANAGEMENT	1,817,495	1,987,290	3,225,239	3,300,761	3.0%
TOTAL ENTERPRISE FUNDS	35,664,077	52,714,394	44,524,443	45,167,094	7.0%
INTERNAL SERVICE FUNDS					
WORKERS COMP SELF INSURANCE	1,333,263	1,284,199	1,774,325	2,028,576	-9.8%
LIABILITY SELF-INSURANCE	1,104,140	2,238,935	1,379,109	1,349,977	25.3%
SELF-INSURED BENEFITS	1,035,588	793,414	9,169,353	967,540	3.0%
VEHICLE MAINTENANCE	2,391,685	2,526,020	2,512,055	2,745,984	10.7%
VEHICLE REPLACEMENT	1,256,387	1,228,245	2,685,557	865,000	15.4%
INFORMATION TECHNOLOGY	4,121,442	4,735,829	6,723,932	5,034,921	32.6%
TOTAL INTERNAL SERVICE FUNDS	11,242,505	12,806,642	24,244,331	12,991,998	17.2%
REDEVELOPMENT					
VILLAGE OPERATIONS / DEBT SVC	2,375,507	2,591,480	1,661,275	1,609,336	5.5%
VILLAGE LOW/MOD INCOME HSNB	67,190	62,371	108,418	95,604	1.1%
SCCRA OPERATIONS / DEBT SVC	411,968	185,155	184,075	180,293	-3.9%
SCCRA LOW/MOD INCOME HSNB	30,149	29,760	47,754	43,595	0.7%
TOTAL REDEVELOPMENT	2,884,814	2,868,766	2,001,522	1,928,828	4.3%
TOTAL OPERATING FUNDS	158,405,084	185,665,025	198,098,691	187,078,777	4.3%

General Fund	118,331,742
Non GF	76,851,989
	<u>195,183,731</u>

NOTE: Estimated expenditures may exceed Adopted Budget since they include prior year budget appropriations.